

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 275 - HB 1274

March 15, 2013

SUMMARY OF BILL: Requires any local government entity proposing to issue debt, to first obtain approval by the State Funding Board prior to the issuance of such debt, when the proposed debt with all other outstanding debt exceeds the total amount of debt of the state. Within 45 days prior to the adoption of any action authorizing the issuance of debt in excess of the limitation, the local government entity must submit a plan of additional indebtedness to the State Funding Board for approval and must submit any additional information required by the Board to obtain such approval. Applies to local government debt issued on or after July 1, 2013.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – To the extent any local government entity sought to issue debt sufficient for the local government entity to have total outstanding debt exceeding the total outstanding debt of the state, there would be an increase in state expenditures for the State Funding Board and the Comptroller of the Treasury to review the debt plan of the local government entity. Based on information provided by the Comptroller, the increase in state expenditures is reasonably estimated to exceed \$1,500 for each debt plan reviewed. Otherwise, the fiscal impact of this bill is considered not significant.

Assumptions:

- According to the Office of the Comptroller of the Treasury (COT), as of June 30, 2012 the total outstanding general obligation debt for the state of Tennessee was \$2,192,420,000.
- According to the COT, as of June 30, 2012, the two largest governmental debt issuers outside the state are Metropolitan Nashville (\$1,917,344,000) and Shelby County (\$1,455,753,230). Either issuer would need to issue a significant amount of new debt before the proposed legislation would apply.
- According to COT, if a project needed to be approved by the State Funding Board, the Office of State and Local Finance would have to review the project and present the information to the Board. Reviewing one project will take approximately 18 hours of staff time at a cost of \$85 per hour resulting in total costs of \$1,530 per reviewed project (\$85 x 18 hours).

- Any fiscal impact to the local government will depend on the size of the proposed debt issuance and whether or not the Funding Board would approve the debt. A precise impact to local government cannot be determined, but is assumed to occur in future years due to the current amount of debt issued by Metro Nashville and Shelby County relative to the outstanding debt of the state.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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